

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 13-117—sSB 387

Labor and Public Employees Committee

Appropriations Committee

AN ACT INCREASING THE MINIMUM FAIR WAGE

SUMMARY: This act increases the hourly minimum wage from \$8.25 to \$8.70 on January 1, 2014 and from \$8.70 to \$9.00 on January 1, 2015. It increases the “tip credit” in each of those years to keep the employer’s share of (1) hotel and waitstaff’s wages at \$5.69 and (2) bartenders’ wages at \$7.34.

The law, unchanged by the act, allows learners, beginners, and people under age 18 to be paid 85% of the minimum wage for the first 200 hours of their employment. In effect, the act’s minimum wage increases raise this wage from \$7.01 to \$7.39 in 2014 and \$7.65 in 2015.

EFFECTIVE DATE: July 1, 2013

TIP CREDIT

The law allows the employers of hotel and restaurant staff and bartenders who customarily receive tips to count these employees’ tips as a portion of their minimum wage requirement. This minimum wage “tip credit” lowers the employer’s share of the minimum wage, as long as the employee’s tips make up the difference. Current law allows tips to comprise 31% of the minimum wage for hotel and restaurant employees and 11% of the minimum wage for bartenders. As long as the employees’ tips make up the difference, this allows hotel and restaurant staffs’ employers to pay them 69% of the minimum wage (\$5.69), and bartenders’ employers to pay them 89% of the minimum wage (\$7.34).

The act increases the tip credit percentages in 2014 and 2015 so that the employer’s share of these employees’ wages remains at their current dollar amounts, despite the increase in the overall minimum wage. Tables 1 and 2 show the act’s changes to the minimum wage and tip credit and their effect on the employer’s share of the minimum wage for hotel and restaurant employees and bartenders.

Table 1: The Hotel and Restaurant Employee’s Tip Credit

| <i>Year</i> | <i>Minimum Wage</i> | <i>Tip Credit</i> | <i>Employer’s Share</i> |
|-----------------------------|---------------------|--|---------------------------------|
| 2013 (Prior law) | \$8.25 | 31% ($\$8.25 \times .31 = \2.56) | \$5.69 ($\$8.25 - \2.56) |
| 2014 (the act) | \$8.70 | 34.6% ($\$8.70 \times .346 = \3.01) | \$5.69 ($\$8.70 - \3.01) |
| 2015 (the act) | \$9.00 | 36.8% ($\$9.00 \times .368 =$ | \$5.69 ($\$9.00 - \3.31) |

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| | | \$3.31) | |
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Table 2: The Bartender's Tip Credit

| <i>Year</i> | <i>Minimum Wage</i> | <i>Tip Credit</i> | <i>Employer's Share</i> |
|-----------------------------------|---------------------|-----------------------------------|-----------------------------|
| 2013 (Prior law) | \$8.25 | 11% (\$8.25 x .11 = \$0.91) | \$7.34 (\$8.25 - \$0.91) |
| 2014 (the act) | \$8.70 | 15.6% (\$8.70 x .156 = \$1.36) | \$7.34 (\$8.70 - \$1.36) |
| 2015 (the act) | \$9.00 | 18.5% (\$9.00 x .185 = \$1.66) | \$7.34 (\$9.00 - \$1.66) |

OLR Tracking: LRH:JR:PF:RO